

# 2016

**REVIEWED PRELIMINARY  
CONDENSED CONSOLIDATED  
FINANCIAL RESULTS**

for the year ended  
31 March 2016

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*Out of the Ordinary®*

 **Investec**

Australia Property Fund

**Investec Australia  
Property Fund**



# Highlights

Full year distribution in ZAR of

# 98.34

cpu pre WHT

GROWTH OF 29.3%\*

## 3.8x

GROWTH SINCE LISTING

Portfolio now  
AUD494mn

## 9.17

cpu pre WHT

FULL YEAR DISTRIBUTION  
IN AUD

Growth of 12.1%

## 29%

GEARING

AUD92mn of  
acquisition capacity

## 6.1

years

LONG WALE

56% of leases expiring  
after five years

## 5.5%

GROWTH IN NET ASSET  
VALUE PER UNIT

Strong revaluation uplift

## 3.83%

all in funding rate

HISTORICALLY LOW  
FUNDING RATES

86% hedged for 9.2 years

## 100%

OCCUPANCY

Supported by high  
quality tenants

## AUD127<sup>mn\*\*</sup>

ACQUISITIONS  
CONCLUDED

Quality enhancing acquisitions

## 67.8%\*\*\*

TOTAL RETURN IN ZAR

Since listing

\* Based on a spot rate of 11.1255 for the H2 distribution. The AUD distribution amount will be converted to ZAR at the forward rate to 13 June 2016 to be entered into on Friday, 27 May 2016.

\*\* Including transaction costs.

\*\*\* Post WHT based on a spot rate of 11.1255 for the H2 distribution and the share price at 31 March 2016 of 13.81.

## OPERATIONAL KPIS

### Number of properties

2016	2015
19	16

### Property portfolio

2016	2015
AUD494mn	AUD342mn

### Gross lettable area

2016	2015
169 535m <sup>2</sup>	108 657m <sup>2</sup>

### Weighted average lease expiry (by income)

2016	2015
6.1 years	6.4 years

### Weighted average escalations

2016	2015
3.3%	3.4%

### Occupancy rate

2016	2015
100%	98.5%

### Units in issue

2016	2015
312 541 376	246 581 298

## FINANCIAL KPIS

### Distribution per unit pre WHT

2016	2015
9.17	8.18

### Distribution per unit post WHT

2016	2015
8.92	7.88

### Cost to income ratio

2016	2015
1.6%	1.5%

### Gearing

2016	2015
29%*	23%

### Funding costs

2016	2015
3.83%	4.15%

### Weighted average debt expiry

2016	2015
4.1 years	4.8 years

### Weighted average swap expiry

2016	2015
9.2 years	5.5 years

### Hedged position

2016	2015
86%	100%

\* Gearing post the distribution in June will be approximately 31% assuming no additional units are issued pursuant to the DRIP.

## Consolidated statement of profit or loss and other comprehensive income

AUD'000	Notes	Reviewed year ended 31 March 2016	Audited year ended 31 March 2015
Revenue, excluding straight-line rental revenue adjustment		37 663	22 180
Straight-line rental revenue adjustment		1 630	2 040
<b>Revenue</b>		<b>39 293</b>	<b>24 220</b>
Property expenses		(5 185)	(2 867)
<b>Net property income</b>		<b>34 108</b>	<b>21 353</b>
Fair value adjustments – investment property	2	20 488	2 051
Other operating expenses		(4 663)	(2 500)
<b>Operating profit</b>		<b>49 933</b>	<b>20 904</b>
Finance costs		(6 908)	(4 803)
Finance income		79	195
Profit on sale of investment property		116	–
Other income		264	46
<b>Total comprehensive income and profit</b>		<b>43 484</b>	<b>16 342</b>
<b>Number of units</b>			
Units in issue at the end of the year		312 541	246 581
Weighted average number of units in issue		254 437	184 962
Basic and diluted earnings per unit (cents)		17.09	8.84

## Consolidated statement of financial position

AUD'000	Notes	Reviewed 31 March 2016	Audited 31 March 2015
<b>Assets</b>			
<b>Non-current assets</b>			
Investment property		493 850	342 130
<b>Current assets</b>			
Cash and cash equivalents		1 108	2 361
Trade and other receivables		1 965	1 248
<b>Total assets</b>		<b>496 923</b>	<b>345 739</b>
<b>Equity and liabilities</b>			
<b>Unitholders' interest</b>			
Contributed equity		310 136	246 496
Retained earnings		22 351	2 208
<b>Total unitholders' interest</b>		<b>332 487</b>	<b>248 704</b>
<b>Non-current liabilities</b>			
Long-term borrowings		141 671	78 752
Trade and other payables		477	433
Financial instruments held at fair value	6	950	2 900
<b>Current liabilities</b>		<b>21 338</b>	<b>14 950</b>
Trade and other payables		6 870	4 724
Distributions payable		14 468	10 226
<b>Total liabilities</b>		<b>164 436</b>	<b>97 035</b>
<b>Total equity and liabilities</b>		<b>496 923</b>	<b>345 739</b>
Units in issue		312 541	246 581
Net asset value per unit (cents)		106.38	100.86

## Condensed consolidated statement of cash flows

AUD'000	Reviewed year ended 31 March 2016	Audited year ended 31 March 2015
Cash generated from operations	29 259	18 832
Finance income received	344	195
Finance costs paid	(4 975)	(1 856)
Distribution paid to unitholders	(19 100)	(14 533)
<b>Net cash inflow from operating activities</b>	<b>5 528</b>	<b>2 638</b>
<b>Net cash outflow used in investing activities</b>	<b>(129 443)</b>	<b>(183 675)</b>
<b>Net cash inflow from financing activities</b>	<b>122 662</b>	<b>177 028</b>
Net increase in cash and cash equivalents	(1 253)	(4 009)
Cash and cash equivalents at the beginning of the year	2 361	6 370
<b>Cash and cash equivalents at the end of the year</b>	<b>1 108</b>	<b>2 361</b>

## Condensed consolidated statement of changes in equity

AUD'000	Contributed equity	Retained earnings	Total unitholders' interest
<b>Balance at 1 April 2014</b>	131 025	1 033	132 058
Profit for the year	–	16 342	16 342
<b>Total comprehensive income</b>	<b>–</b>	<b>16 342</b>	<b>16 342</b>
<b>Transaction with unitholders in their capacity as unitholders</b>			
Issue of ordinary units	120 462	–	120 462
Distributions paid/payable to ordinary unitholders	(4 991)	(15 167)	(20 158)
<b>Balance at 31 March 2015</b>	<b>246 496</b>	<b>2 208</b>	<b>248 704</b>
Profit for the year	–	43 484	43 484
<b>Total comprehensive income</b>	<b>–</b>	<b>43 484</b>	<b>43 484</b>
<b>Transaction with unitholders in their capacity as unitholders</b>			
Issue of ordinary units	65 960	–	65 960
Distributions paid/payable to ordinary unitholders	(2 320)	(23 341)	(25 661)
<b>Balance at 31 March 2016</b>	<b>310 136</b>	<b>22 351</b>	<b>332 487</b>

## Condensed segmental information

AUD'000	Office	Industrial	Total
<b>Statement of profit or loss and other comprehensive income 2016</b>			
Revenue from external customers, excluding straight-line rental revenue adjustment	25 235	12 428	37 663
Straight-line rental revenue adjustment	745	885	1 630
Property expenses	(3 647)	(1 538)	(5 185)
<b>Segment results</b>	<b>22 333</b>	<b>11 775</b>	<b>34 108</b>
Transaction costs, capital expenditure and straight-line revenue adjustment	(10 073)	(4 669)	(14 742)
Investment property revaluation	32 500	2 730	35 230
<b>Total segment results</b>	<b>44 760</b>	<b>9 836</b>	<b>54 596</b>
<b>Statement of financial position extracts at 31 March 2016</b>			
Investment property balance at 1 April 2015	247 000	95 130	342 130
Acquisitions	60 039	67 081	127 120
Disposals	–	(3 580)	(3 580)
Capital expenditure	6 039	7	6 046
Straight-line rental revenue receivable	745	885	1 630
Fair value adjustments	22 427	(1 923)	20 504
<b>Investment property balance at 31 March 2016</b>	<b>336 250</b>	<b>157 600</b>	<b>493 850</b>

AUD'000	Office	Industrial	Total
<b>Statement of profit or loss and other comprehensive income 2015</b>			
Revenue from external customers, excluding straight-line rental revenue adjustment	16 179	6 001	22 180
Straight-line rental revenue adjustment	1 493	547	2 040
Property expenses	(2 228)	(639)	(2 867)
<b>Segment results</b>	<b>15 444</b>	<b>5 909</b>	<b>21 353</b>
Transaction costs, capital expenditure and straight-line revenue adjustment	(9 213)	(2 411)	(11 624)
Investment property revaluation	11 526	2 150	13 676
<b>Total segment results</b>	<b>17 756</b>	<b>5 648</b>	<b>23 404</b>
<b>Statement of financial position extracts at 31 March 2015</b>			
Investment property balance at 1 April 2014	105 254	49 110	154 364
Acquisitions	137 941	45 734	183 675
Straight-line rental revenue receivable	1 493	547	2 040
Fair value adjustments	2 312	(261)	2 051
<b>Investment property balance at 31 March 2015</b>	<b>247 000</b>	<b>95 130</b>	<b>342 130</b>

## Notes to the reviewed preliminary condensed consolidated financial results

AUD'000	Notes	Reviewed year ended 31 March 2016	Audited year ended 31 March 2015
<b>1. DISTRIBUTION RECONCILIATION</b>			
Profit and total comprehensive income for the year		43 484	16 342
<i>Less:</i> Straight-line rental revenue adjustment		(1 630)	(2 040)
<i>Add back:</i> Fair value adjustments – investment property		(20 488)	(2 051)
<i>Add back:</i> Fair value adjustments – derivatives		1 975	2 917
Antecedent distribution	a	2 320	4 991
<b>Total distributable earnings</b>		<b>25 661</b>	<b>20 159</b>
<b>Less: Interim distribution paid</b>		<b>(11 193)</b>	<b>(9 932)</b>
<b>Final distribution pre-withholding tax</b>		<b>14 468</b>	<b>10 227</b>
<b>Withholding tax receivable/(payable) from/to the Australian Taxation Office</b>		<b>52</b>	<b>(460)</b>
<b>Final distribution post withholding tax</b>		<b>14 520</b>	<b>9 767</b>
<b>Number of units</b>			
Units in issue at the end of the period		312 541	246 581
Weighted average number of units in issue for the period		254 437	184 962
<b>Cents</b>			
Final distribution per unit (cents) (pre-withholding tax)		4.63	4.15
Interim distribution per unit (cents) (pre-withholding tax)		4.54	4.03
<b>Total distribution per unit (cents) (pre-withholding tax)</b>	a	<b>9.17</b>	<b>8.18</b>
Final distribution per unit (cents) (post withholding tax)		4.65	3.96
Interim distribution per unit (cents) (post withholding tax)		4.27	3.92
<b>Total distribution per unit (cents) (post withholding tax)</b>	a	<b>8.92</b>	<b>7.88</b>
<b>Basic and diluted earnings per unit for the year</b>		<b>17.09</b>	<b>8.84</b>
<b>Headline earnings per unit for the year</b>		<b>8.99</b>	<b>7.73</b>

(a) The full year distribution includes the antecedent distribution associated with the DRIP relating to the H1 distribution and subsequent rights offer which was completed in February 2016. This amounts to AUD2.3mn. As the antecedent distribution is not subject to withholding tax in Australia, the effective rate of withholding tax on the distribution has been reduced for the year. The effective rate of withholding tax on the distribution has also been reduced by the cost related to locking in lower, longer dated interest rates on the Fund's debt. The normalised distribution per unit post withholding tax for the year excluding these one off deductions would have been approximately 8.62 cents per unit.

### 2. FAIR VALUE ADJUSTMENT OF INVESTMENT PROPERTY

The Fund's policy is to value investment properties at each reporting period, with independent valuations performed on a rotational basis to ensure each property is valued at least every 24 months by an independent external valuer (in compliance with the Fund's debt facility). Where directors' valuations are performed, the valuation methods include using the discounted cash flow model and the capitalisation model.

Revaluations were performed at year-end with reference to independent external valuations and director valuations. Independent external valuations were obtained at the time of acquisition for all of the Fund's acquisitions during the year.

The property portfolio recorded a net AUD27.6mn (7.7%) uplift in value and 10.1% on the base portfolio. This was offset by the write off of AUD7.1mn of transaction costs associated with acquisitions made during the year.



<b>AUD'000</b>	<b>Reviewed year ended 31 March 2016</b>	<b>Audited year ended 31 March 2015</b>
Gross investment property fair value adjustment	22 118	4 091
Less: Straight-line rental revenue adjustment	(1 630)	(2 040)
<b>Total fair value adjustment – investment property</b>	<b>20 488</b>	<b>2 051</b>
Fair value adjustment on interest rate swap	(1 975)	(2 917)
<b>Net fair value adjustments</b>	<b>18 513</b>	<b>(866)</b>
<b>3. HEADLINE EARNINGS RECONCILIATION</b>		
Total comprehensive income and profit for the year	43 484	16 342
Less: Fair value adjustments – investment property	(20 488)	(2 051)
Less: Profit on sale of investment property	(116)	
<b>Headline earnings</b>	<b>22 880</b>	<b>14 291</b>
<b>Headline earnings per unit (cents)</b>	<b>8.99</b>	<b>7.73</b>
<b>4. WORKING CAPITAL MANAGEMENT</b>		
The Fund utilises its monthly cash flows to pay down its debt facility and manage finance costs. The current undrawn facility limit is AUD9.5mn and the Fund has the ability to draw on this unconditionally. The Fund will utilise undrawn capacity under the debt facility together with cash available at the time the distribution is payable in order to pay the final distribution in June 2016.		
<b>5. RELATED PARTY TRANSACTIONS</b>		
The Fund entered into the following related party transactions during the year with the Investec Group and its subsidiaries:		
<b>Transaction with related parties (AUD'000)</b>	<b>31 March 2016</b>	<b>31 March 2015</b>
<i>Payments to Investec Group and its subsidiaries:</i>		
<b>Investec Property Management Pty Limited</b>		
Asset management fee	2 720	1 583
Property management fee*	662	320
Leasing fee	–	41
<b>Investec Bank Limited</b>		
Sponsor fee	10	10
Capital raising fees and listing costs	781	888
<b>Investec Bank Plc</b>		
Interest on swaps	15	–
<i>Receipts from Investec Group and its subsidiaries:</i>		
<b>Investec Australia Limited</b>		
Payments to the Fund under income support arrangements**	408	1 161
* Investec Property Management Pty Limited (IPMPL) has been contracted to perform property management services. IPMPL has sub-contracted certain of these services to third party property managers who receive a fee from IPMPL to perform these services.		
** The two tenancies that were the subject of these income support arrangements have now been leased to third parties.		
<b>6. FINANCIAL INSTRUMENTS</b>		
Financial instruments held at fair value consist of interest rate swaps, which are classified as level 2. These are valued using valuation models which use market observable inputs such as quoted interest rates. No other financial instruments are carried at fair value.		

# Commentary

## INTRODUCTION

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Investec Australia Property Fund, (“**Fund**”) is the first inward-listed Australian REIT on the JSE. It is an income-producing fund that operates in a stable and developed market. The Fund currently comprises 19 properties with a total gross lettable area (**GLA**) of 169 535m<sup>2</sup> and a portfolio value of AUD493.9mn.

The Fund aims to maximise sustainable returns to unitholders by investing in quality office, industrial and retail properties in Australia, giving unitholders exposure to the Australian real estate market.

## FINANCIAL RESULTS

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The board of directors of Investec Property Limited (**IPL**), the responsible entity of the Fund is pleased to announce an increase of 11.6% in the H2 pre withholding tax distribution to 4.63 cents per unit (2015: 4.15 cpu) bringing the total distribution for the year to 9.17 cents per unit pre withholding tax (2015: 8.18 cpu). This represents very strong growth for the full year of 12.1% in AUD, which is above the guidance given to the market. During the reporting period the Rand depreciated significantly against the Australian dollar, and as a result of this the increase in the total distribution for the year in ZAR is 29.3% pre withholding tax\*. The fund has delivered a total return in the reporting period in ZAR of 34.9%\*\*.

On listing of the Fund the long-term depreciation of the Rand against the Australian dollar was identified as a key element of the investment case for unitholders to invest in the Fund. These latest results support the case for investing in good quality real estate in a developed market where income returns are derived in a hard currency providing a Rand hedge for investors.

The Fund is also reporting an increase of 17.4% in the H2 post withholding tax distribution to 4.65 cents per unit (2015: 3.96 cpu). This brings the total post withholding tax distribution for the year to 8.92 cents per unit (2015: 7.88 cpu), representing growth for the full year of 13.2% in AUD post withholding tax. The ZAR growth in the post withholding tax distribution is 30.7%\*.

The Fund has delivered a total return in ZAR since listing of 67.8%\*\*.

This is driven by stability of income as a result of strong tenant covenants, as well as appreciation in the unit price due to both the underlying performance of the property portfolio and the effect of the devaluation of the Rand against the Australian dollar.

The strong financial result is the outcome of the successful implementation of the Fund’s strategy outlined at listing and reaffirmed in subsequent reporting periods, namely:

- acquiring accretive quality real estate, backed by solid property fundamentals (see the section below entitled “Acquisitions” for details of the Fund’s acquisitions during the period);
- achieving capital growth across a sectorally diversified portfolio (see the section below entitled “Asset growth” for details of the capital uplift derived through revaluations during the period);
- diversifying the Fund’s asset base (see the section below entitled “Asset diversification” for details of the Fund’s geographic diversification);
- active capital and risk management (see the section below entitled “Capital and risk management” for details of the Fund’s equity raising and debt management activities during the period); and
- maximising property performance through pro-active asset management, property management and leasing (see the section below entitled “Leasing activity” for details of the Fund’s leasing activity during the period).

\* Based on a spot rate of 11.1255 for the H2 distribution. The AUD distribution amount will be converted to ZAR at the forward rate to 13 June 2016 to be entered into on Friday, 27 May 2016.

\*\* Post WHT based on a spot rate of 11.1255 for the H2 distribution and the share price at 31 March 2016 of 13.81.

## PROPERTIES

The Fund currently has a portfolio of 19 quality office and industrial properties. All of the properties are well located and generate stable income for unitholders, evidenced by a long dated WALE of 6.1 years with 56% of leases expiring after five years. The portfolio currently has 100% occupancy, strong tenant covenants and attractive average rental escalations of approximately 3.3% per annum.

	City	State	Book value (AUD)	% of portfolio by value	Total area (m <sup>2</sup> )	% of portfolio by area	Cap rate %
<b>INDUSTRIAL PORTFOLIO</b>							
47 Sawmill Circuit, Hume	Canberra	ACT	10 400 000	2.1	5 535	3.3	7.25
57 Sawmill Circuit, Hume	Canberra	ACT	9 100 000	1.8	7 079	4.2	7.75
24 Sawmill Circuit, Hume	Canberra	ACT	9 400 000	1.9	6 300	3.7	7.75
44 Sawmill Circuit, Hume	Canberra	ACT	9 500 000	1.9	4 639	2.7	8.75
2 – 8 Mirage Road, Direk	Adelaide	SA	9 800 000	2.0	6 783	4.0	8.00
30 – 48 Kellar Street, Berrinba	Brisbane	QLD	8 450 000	1.7	4 102	2.4	7.50
165 Newton Road, Wetherill Park	Sydney	NSW	19 400 000	3.9	12 529	7.4	7.00
24 Spit Island Close, Newcastle	Newcastle	NSW	8 350 000	1.7	5 258	3.1	8.00
67 Calarco Drive, Derrimut	Melbourne	VIC	8 950 000	1.8	7 150	4.2	7.00
<b>Industrial assets acquired during the year</b>							
66 Glendenning Road, Glendenning	Sydney	NSW	20 100 000	4.1	16 461	9.7	7.50
85 Radius Drive, Larapinta	Brisbane	QLD	18 150 000	3.7	10 088	6.0	7.25
54 Miguel Road, Bibra Lake	Perth	WA	26 000 000	5.3	22 358	13.2	8.00
<b>OFFICE PORTFOLIO</b>							
449 Punt Road, Cremorne	Melbourne	VIC	41 700 000	8.4	6 384	3.8	7.00
35 – 49 Elizabeth Street, Richmond	Melbourne	VIC	72 000 000	14.6	11 916	7.0	7.25
Building 20, 2404 Logan Road, Eight Mile Plains	Brisbane	QLD	20 400 000	4.1	3 571	2.1	8.00
186 Reed Street, Greenway	Canberra	ACT	27 400 000	5.5	5 407	3.2	7.50
757 Ann Street, Fortitude Valley	Brisbane	QLD	75 000 000	15.2	9 455	5.6	7.25
21 – 23 Solent Circuit, Baulkham Hills	Sydney	NSW	43 000 000	8.7	10 815	6.4	8.75
<b>Office assets acquired during the year</b>							
266 King Street, Newcastle	Newcastle	NSW	56 750 000	11.6	13 705	8.1	8.38
<b>Total at 31 March 2016</b>			<b>493 850 000</b>		<b>169 535</b>		<b>7.65</b>

## ACQUISITIONS

During the year the Fund completed AUD127.1mn of property acquisitions\*, contributing to the increase in the portfolio value to AUD493.9mn. This represents growth of 3.8x since listing in October 2013.

The Fund has been able to acquire quality properties at appropriate prices notwithstanding that the Australian market for institutional-grade office and industrial property remains extremely competitive. The Fund's ability to transact in a timely manner by utilising undrawn capacity under its debt facilities has given the Fund a competitive advantage, with certainty of completion a key consideration for vendors of assets. In addition, the Fund's ability to access off-market opportunities, or structure acquisitions in an innovative way, has contributed to the Fund's level of acquisition activity during the year.

The acquisitions made during the year comprise a mix of high quality office and industrial properties which are well located and have strong tenant covenants. The properties were acquired at a blended yield of 8.0% and contributed to the overall quality of the Fund's portfolio.

During the year the Fund has evolved its acquisition strategy by assuming certain manageable risks, typically by acquiring properties with some level of vacancy. These properties deliver an acceptable running yield with the potential to create upside through active asset management. For example, the property at 21 – 23 Solent Circuit, Baulkham Hills NSW was acquired on an initial yield of 7.7% with 15% vacancy. The vacant space was leased up within nine months and the property now delivers the Fund a yield of 9.5%. A similar opportunity exists at the property recently acquired at 266 King Street, Newcastle NSW and the Fund will be actively pursuing new leases in respect of the vacant space to deliver yield outperformance at this property. As the Fund is now starting to achieve scale, the opportunity exists to allocate a manageable proportion of the Fund's capital to value-add opportunities to support the yield deliverable to investors.

\* Including transaction costs.

Reflecting the competitive nature of the market in Australia, yields continued to tighten across all market segments during the year driving up prices, particularly for prime-grade assets. Notwithstanding this, the Fund has managed to acquire properties that demonstrate a compelling value proposition for the Fund:

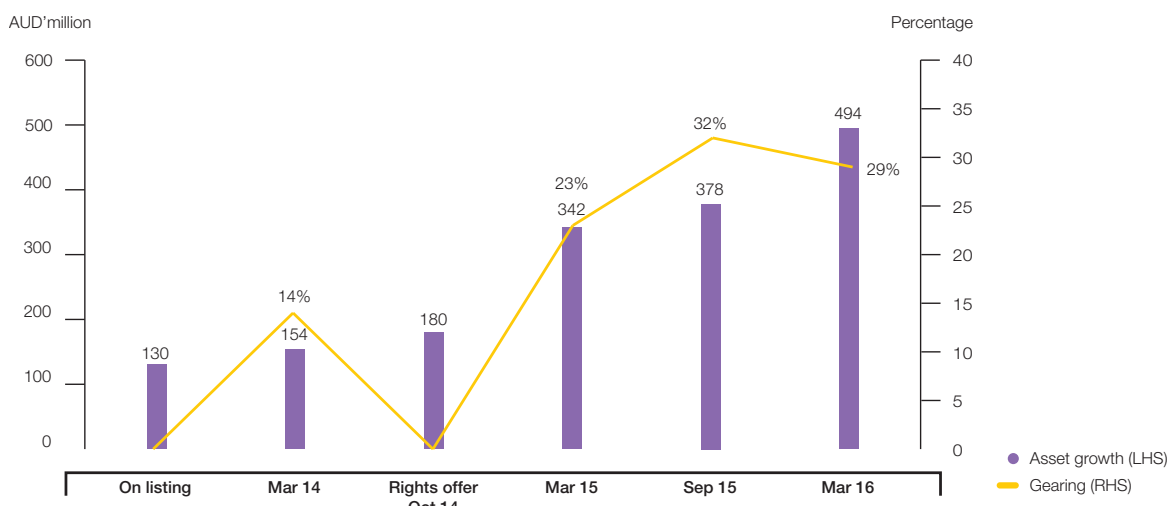
Property	Acquisition date	Purchase price (AUD)	Valuation* (AUD)	Comments
66 Glendenning Road, Glendenning NSW	April 2015	19 170 000	20 100 000	Located in one of Sydney's most established industrial precincts with low vacancy rates and limited transaction activity. Value uplift which has already materialised in the latest valuation.
85 Radius Drive, Larapinta QLD	August 2015	18 150 000	18 150 000	A near new industrial facility located in the preeminent industrial precinct south of the Brisbane CBD. In the long term will benefit from the quality of surrounding facilities and tenants.
54 Miguel Road, Bibra Lake WA	October 2015	26 000 000	26 000 000	Located in one of Perth's most established industrial precincts and off the radar for most institutional buyers. As a result, the property was acquired for a very attractive initial yield with the benefit of a 12-year lease to an ASX-listed company not reliant on the resources sector.
266 King Street, Newcastle NSW	February 2016	56 750 000	56 750 000	One of the best A-grade office buildings in the Newcastle CBD, having recently undergone a significant capital upgrade and tenanted by blue chip tenants. The opportunity exists to realise value uplift through leasing of vacant space in the building.

\* As at 31 March 2016.

## ASSET GROWTH

The Fund recorded strong asset growth during the year, primarily as a result of the acquisitions described above. These acquisitions were largely funded through utilising capacity under the Fund's debt facilities, resulting in gearing stabilising around 30%. The Fund also raised additional equity to assist with the acquisition of the property at 266 King Street, Newcastle NSW (see the section below entitled "Capital and risk management"). The capital raised has created additional capacity of AUD92.1mn to pursue acquisition opportunities, which would result in gearing increasing to 40%.

## ASSET AND GEARING GROWTH



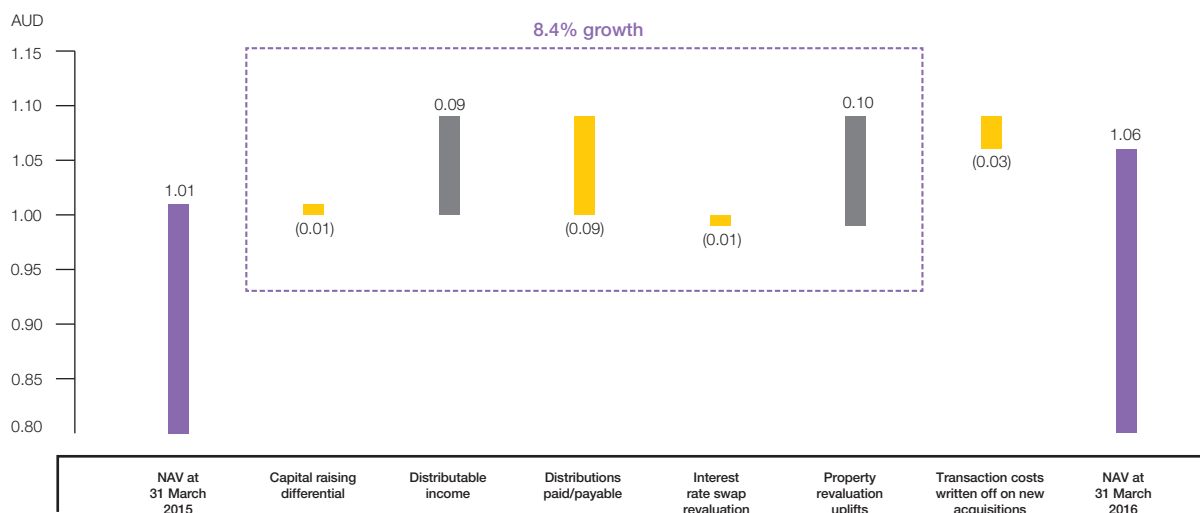
Asset growth was also supported by the revaluation of properties at year-end. The Fund's policy is to value properties at each reporting period, with independent valuations performed on a rotational basis to ensure each property is valued at least every 24 months by an independent external valuer (in compliance with the Fund's debt facility). For the period ended 31 March 2016, the Fund obtained external valuations for eight properties resulting in an increase in value of 13.2% across these properties:

Property	Book value at 30 September 2016 (AUD)	Valuation at 31 March 2016 (AUD)	Movement
30 – 48 Kellar Street, Berrinba QLD	8 200 000	8 450 000	3.0%
165 Newton Road, Wetherill Park NSW	18 500 000	19 400 000	4.9%
24 Spit Island Close, Newcastle NSW	8 350 000	8 350 000	0.0%
67 Calarco Drive, Derrimut VIC	8 100 000	8 950 000	10.5%
449 Punt Road, Cremorne VIC	34 000 000	41 700 000	22.6%
35 – 49 Elizabeth Street, Richmond VIC	61 000 000	72 000 000	18.0%
757 Ann Street, Fortitude Valley QLD	67 500 000	75 000 000	11.1%
21 – 23 Solent Circuit, Baulkham Hills NSW	39 000 000	43 000 000	10.3%

The uplift recorded in these valuations is a result of a well executed buying strategy, strong underlying performance of the properties (through contractual escalations) and positive leasing activity (in particular at 757 Ann Street, Fortitude Valley QLD and 21 – 23 Solent Circuit, Baulkham Hills NSW) as well as the effect of yield compression evident across the various sectors.

The balance of the Fund's properties were valued based on directors' valuations. Across the whole portfolio the value uplift year on year was 7.7%. The value uplift on the base portfolio year on year was 10.1%. This has contributed to NAV growth of 8.4% year on year and 17.8% since listing, pre transaction costs. The NAV growth post transaction costs (largely stamp duty of approximately 5.5% of transaction value) is diluted to 5.5% for the last 12 months, due to the extent the Fund's acquisition activity during the period.

## NET ASSET VALUE BRIDGE

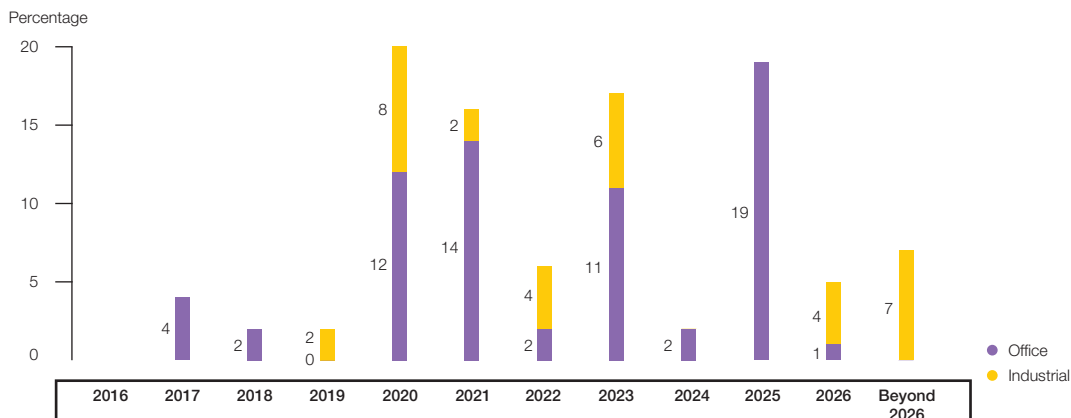


## LEASING ACTIVITY

At 31 March 2016, the property portfolio is 100% occupied. The increase in occupancy during the year is the result of the successful leasing of the vacancy at 21 – 23 Solent Circuit, Baulkham Hills NSW, where the yield has increased from 7.7% on acquisition to 9.5%. In addition, the Fund has extended the term for two office levels at 757 Ann Street, Fortitude Valley QLD which now have an expiry date in October 2024.

The Fund's lease expiry profile at year-end remains very strong with a weighted average lease expiry of 6.1 years (2015 6.4 years) by income and 56% of leases expiring after five years. The lease expiry profile reflects the quality and sustainability of the Fund's net property income.

## LEASE EXPIRY – INCLUDING RENT SUPPORTS



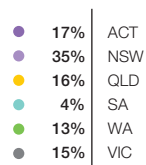
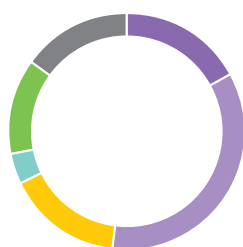
## ASSET DIVERSIFICATION

During the year the Fund was able to acquire two properties in NSW, increasing its exposure to Australia's best performing economy from 26% to 35% by GLA, from 19% to 25% by income and from 19% to 30% by value. More than half of the Fund's income is now derived from NSW and Victoria which are Australia's two largest economies with little reliance on the resources sector.

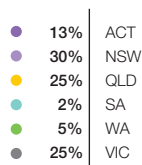
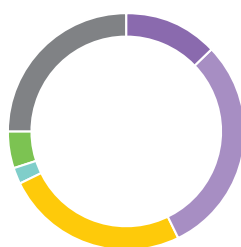
During the year the Fund also made its first acquisition in Western Australia. The Fund is naturally cautious of Western Australia's reliance on the resources sector, however, the property represented good value for the Fund at an acquisition yield of almost 8%. The property is well located in one of Perth's most established industrial precincts and is leased for 12 years to an ASX-listed company with no direct exposure to the resources sector.

## GEOGRAPHIC SPREAD

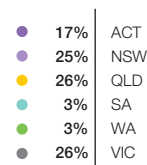
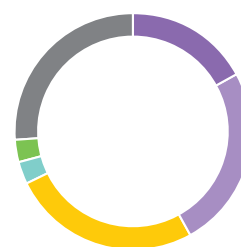
GLA (%)



ASSET VALUE (%)



REVENUE (%)



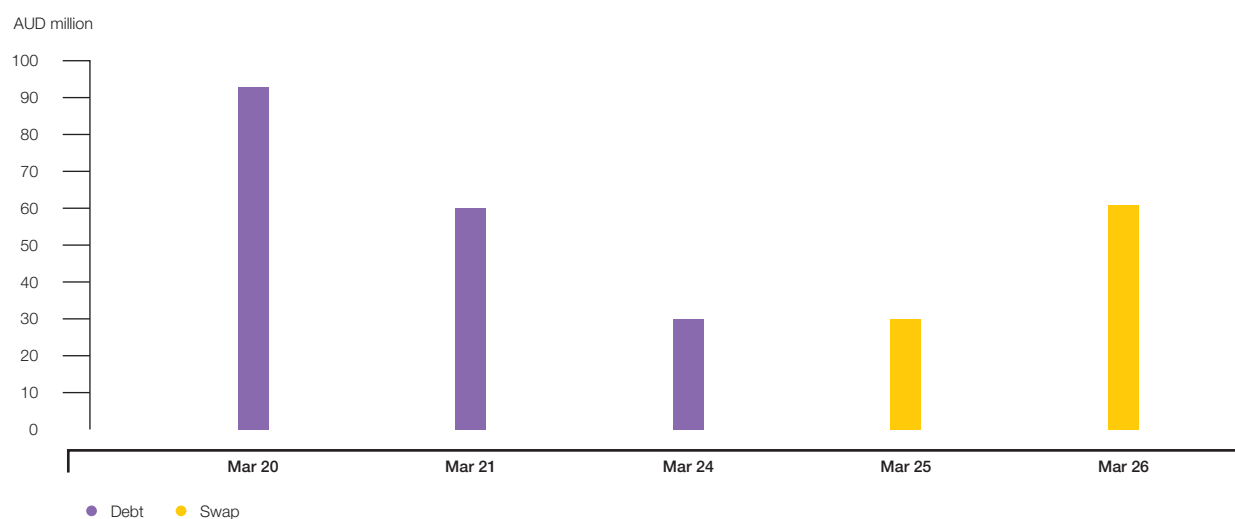
## CAPITAL AND RISK MANAGEMENT

On listing, in two subsequent fully subscribed rights offers and through the DRIP relating to the H1 distribution, the Fund has raised AUD310.1mn of equity capital. During the 12 months to 31 March 2016, the Fund deployed all of the AUD67.0mn remaining capacity from the October 2014 rights offer and will be looking to deploy the additional capacity created by the February 2016 rights offer into quality and value enhancing acquisitions.

The Fund's balance sheet remains well positioned for growth with gearing currently at 29%. At the Fund's target gearing ratio of up to 40% this gives the Fund up to AUD92.1mn in debt capacity to continue to aggressively pursue attractive acquisition opportunities.

The Fund's current all in historically low cost of funding is 3.83% hedged to 86% for 9.2 years (prior year 4.15%, 100% hedged) resulting in a spread between the Fund's funding costs and headline property yield in excess of 400 basis points. The Fund continually reviews its fixed borrowing costs and has taken advantage of falling interest rates in Australia by locking in lower, longer dated forward rates during the year. The Fund now has a long dated debt and swap maturity profile of 4.1 years (2015 4.8 years) and 9.2 years (2015 5.6 years) respectively and a 32bps lower all-in cost of funding.

## DEBT AND SWAP MATURITY PROFILE BY FINANCIAL YEAR



## AUSTRALIAN REIT STRUCTURE

The Fund allows for the tax efficient flow-through of net income to unitholders. The Fund is an uncapped and open-ended fund and existing and future unitholders will hold a participatory interest in the Fund, which entitles unitholders to a *pro rata* share of the underlying income generated by the Fund and a *pro rata* beneficial interest in the assets of the Fund. The Fund is registered as a Managed Investment Scheme in Australia. The Fund is governed and operated by IPL and managed by IPMPL.

## UNIT CAPITAL

The following units were issued during the year:

	Number of units	AUD'mn
Opening units in issue	246 581 298	246.5
DRIP in September 2015	6 393 331	6.8
Rights offer in February 2016	59 566 747	56.8
<b>Closing units in issue</b>	<b>312 541 376</b>	<b>310.1</b>

## UNITHOLDERS

Investec Property Fund Limited and Investec Bank Limited are the only unitholders holding in excess of 5% of the Fund's total issued units, holding 12.32% and 16.53% respectively.

Number of units in issue	312 541 376
Number of unitholders	3 949

## CHANGES TO THE BOARD

There have been no changes to the board of IPL during the period.

## PROSPECTS

The FY 2016 results reflect the positive outcome of the successful execution of the Fund's strategy to date. The Fund is well positioned to continue with the execution of its strategy to deliver long-term sustainable income and capital growth through the acquisition and efficient management of quality properties and conservative capital and risk management.

The board of IPL is therefore pleased to communicate expected distribution growth in FY 2017 of between 6% and 8% pre withholding tax. This guidance assumes partial deployment at the lower end and full deployment at the upper end of gearing capacity during FY2017 into similar yielding assets. The Fund currently has AUD92.1mn of gearing capacity up to 40% gearing to deploy into new acquisitions.

This forecast is based on the assumptions that the macro-economic environment will not deteriorate markedly, no tenant failures will occur and budgeted renewals will be concluded. Budgeted rental income was based on *in force* leases, contractual escalations and market-related renewals.

The information and opinions contained above are recorded and expressed in good faith and are based upon sources believed to be reliable. No representation, warranty, undertaking or guarantee of whatever nature is made or given concerning the accuracy and/or completeness of such information and/or the correctness of such opinions.

The independent auditor's review report does not report on all of the information contained in this announcement. Any reference to future financial information included in this announcement has not been reviewed or reported on by the Fund's independent auditors.

On behalf of the board of Investec Property Limited as responsible entity for Investec Australia Property Fund



**Richard Longes**  
*Chairman*

19 May 2016



**Graeme Katz**  
*Chief Executive Officer*



## BASIS OF ACCOUNTING

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The reviewed preliminary condensed consolidated financial results for the year ended 31 March 2016 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (**IFRS**), the presentation and disclosure requirements of IAS 34: *Interim Financial Reporting* as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council.

The accounting policies applied in the preparation of the reviewed preliminary condensed consolidated financial results for the year ended 31 March 2016 are in terms of IFRS and are consistent with those adopted in the audited financial statements for the period ended 31 March 2015.

## REVIEW CONCLUSION

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These reviewed preliminary condensed consolidated financial results for the year ended 31 March 2016 have been reviewed by KPMG, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at IPL's registered office together with the financial statements identified in the auditor's report.

The auditor's report does not necessarily report on all of the information contained in these financial results. Unitholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's review report together with the accompanying financial information from IPL's registered office.

## DISTRIBUTION AND DISTRIBUTION RE-INVESTMENT PLAN

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Notice is hereby given of a final distribution declaration number 5 of:

- 4.62923 cents per unit pre withholding tax; and
- 4.64563 cents per unit post withholding tax,

for the six months ended 31 March 2016. Withholding tax of 0.01640 Australian cents per unit will be added to the distribution paid to non-Australian unitholders as a result of the annualised withholding tax being less than the withholding tax deducted from the interim distribution paid for the six-month period to 30 September 2015. This is regarded as a foreign distribution for South African unitholders.

Unitholders have been provided with the election to re-invest the South African Rand (**Rand**) equivalent of the cash distribution of 4.64563 Australian cents per unit (**Cash Distribution**) in return for units (**Re-Investment Alternative Units**). Unitholders will be entitled, in respect of all or part of their unitholding, to elect to receive Re-Investment Alternative Units, failing which they will receive the Cash Distribution, converted to Rand at the spot exchange rate on the day prior to the finalisation date, which will be paid to those unitholders not electing to receive the Re-Investment Alternative Units.

The number of Re-Investment Alternative Units to which unitholders are entitled will be determined with reference to the ratio that the post withholding tax Cash Distribution bears to the ratio price (being the five-day volume weighted average traded price (ex-distribution) of units on the JSE prior to the finalisation date). The price and exchange rate for conversion of the Cash Distribution to Rand will be announced on the finalisation date, which will be no later than Friday, 27 May 2016.

Unitholders who have dematerialised their units are required to notify their duly appointed Central Securities Depository Participant (**CSDP**) or broker of their election in the manner and time stipulated in the custody agreement governing the relationship between the unitholder and their CSDP or broker.

In terms of the Listings Requirements of the JSE Limited, the following additional information is disclosed:

- The Cash Distribution portion has been declared from the Fund's reserves.
- As at the date of this announcement, the Fund has 312 541 376 ordinary units of no par value each in issue.

A circular to unitholders in respect of the election being offered to unitholders to receive either the Cash Distribution or the Re-investment Alternative Units, together with a form of election, will be posted to unitholders today, Thursday, 19 May 2016 and will also be available from today on the Fund's website at [www.investecaustraliapropertyfund.co.za](http://www.investecaustraliapropertyfund.co.za).

## TAX IMPLICATIONS

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The Fund and its management arrangements are structured to meet the required criteria to be classified as a Managed Investment Trust for Australian tax purposes. As a Managed Investment Trust, the responsible entity will be required to withhold tax in Australia at a concessional rate of 15% on distributions to individual and institutional unitholders in South Africa. However, the effect of this tax on the Fund's distribution for the period from 1 October 2015 to 31 March 2016 has been a return of withholding tax equivalent to 0.01640 Australian cents per unit, through certain deductions such as depreciation and other deductible expenses incurred in the second half of the financial year. Thus, withholding tax of 0.01640 Australian cents per unit will be returned to unitholders paid on the distribution for the half year ended 30 September 2015 and will be claimed back from the Australian Tax Office.

The distribution is not subject to dividend withholding tax in South Africa. The distribution, net of withholding tax, received by South African institutional and individual unitholders will constitute income and will be subject to income tax in South Africa at the Unitholder's marginal tax rate. Tax paying unitholders will be able to claim a rebate against the withholding tax paid in Australia. Non-tax paying unitholders will not be entitled to claim a rebate.

A worked example illustrating the impact for individual and institutional unitholders will be announced as part of the finalisation information on SENS on the finalisation date.

The above summary of the tax treatment of the foreign distribution does not constitute legal or tax advice and is based on taxation law and practice at the date of this circular. Unitholders should take their own tax advice as to the consequences of their investment in the Fund and are encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.

## SALIENT DATES AND TIMES

A summary of the salient dates relating to the cash distributions and election to receive Re-Investment Alternative Units is as follows:

**2016**

Circular and form of election posted to unitholders	Thursday, 19 May
Announcement of Re-Investment Alternative Units issue price and finalisation information (including exchange rate to convert the Cash Distribution to Rand) (" <b>Finalisation Date</b> ")	Friday, 27 May
Last day to trade (" <b>LDT</b> ") <i>cum</i> distribution	Friday, 3 June
Units to trade <i>ex</i> -distribution	Monday, 6 June
Listing of maximum possible number of Re-Investment Alternative Units commences on the JSE	Wednesday, 8 June
Last day to elect to receive Re-Investment Alternative Units (no late forms of election will be accepted) at 12:00 (South African time)	Friday, 10 June
Record date	Friday, 10 June
Announcement of results of Cash Distribution and Re-Investment Alternative Units on SENS	Monday, 13 June
Cheques posted to certificated unitholders and accounts credited by CSDP or broker to dematerialised unitholders electing the Cash Distribution on or about	Monday, 13 June
Unit certificates posted to certificated unitholders and accounts credited by CSDP or broker to dematerialised unitholders electing to receive Re-Investment Alternative Units on or about	Wednesday, 15 June
Adjustment to units listed on or about	Friday, 17 June

### Notes:

1. *Unitholders electing to receive Re-Investment Alternative Units are requested to note that the Re-Investment Alternative Units will be listed on LDT + 3 and these Re-Investment Alternative Units can only be traded on LDT + 3 as the settlement of the Re-Investment Alternative Units will occur three days after record date, which differs from the conventional one day after record date settlement process.*
2. *Units may not be dematerialised or rematerialised between commencement of trade on Monday, 6 June 2016 and close of trade on Friday, 10 June 2016.*

By order of the board

Investec Property Limited  
Company Secretary

19 May 2016

## DIRECTORS OF THE RESPONSIBLE ENTITY

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Richard Longes<sup>#</sup> (*Non-executive chairman*)  
Stephen Koseff (*Non-executive*)  
Graeme Katz (*Executive*)  
Samuel Leon (*Non-executive*)  
Sally Herman<sup>#</sup> (*Non-executive*)  
Hugh Martin<sup>#</sup> (*Non-executive*)  
<sup>#</sup> *Independent*

## DIRECTORS OF THE MANAGER

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Graeme Katz (*Executive*)  
Zach McHerron (*Executive*)  
Kristie Lenton (*Executive*)  
Samuel Leon (*Non-executive*)

## INVESTEC AUSTRALIA PROPERTY FUND

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Registered in Australia in terms of ASIC (ARSN 162 067 736)  
Registered in terms of the Collective Investment Schemes Control  
Act No. 45 of 2003  
Share code: IAP  
ISIN: AU60INL00018

## COMPANY SECRETARY OF THE RESPONSIBLE ENTITY

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Paul Lam-Po-Tang (BCom, LLB)

## REGISTERED OFFICE AND POSTAL ADDRESS OF THE RESPONSIBLE ENTITY AND DATE OF ESTABLISHMENT OF THE FUND

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### AUSTRALIA

Level 23, Chifley Tower  
2 Chifley Square  
Sydney  
New South Wales  
2000  
Australia

### LOCAL REPRESENTATIVE OFFICE

2nd Floor  
100 Grayston Drive  
Sandown  
Sandton  
2196

*Established on 12 December 2012 in Sydney, Australia. Registered*

